

Summary of Business Rules for Accounting for and Reporting of Military Equipment

Research, Development, Test, and Evaluation Costs

Objective

- Prescribe the method of accounting for research, development, test, and evaluation (RDT&E) costs and the costs of producing functional end items in accordance with the provisions of Statement of Federal Financial Accounting Standards No. 8, *Supplementary Stewardship Reporting*, and Statement of Financial Accounting Standards No. 2, *Accounting for Research and Development Costs*.

Baseline Valuation Methodology

- Expense RDT&E costs, which are considered synonymous with research and development costs, when incurred, with the following exceptions:
 - Capitalize costs associated with the production of functional end items that will be placed in service.
 - Capitalize costs for equipment, such as special tooling and special test equipment acquired or constructed for research and development, which may have alternative future uses.

Mid-Term Methodology

- Same as Baseline.